

Introduction

Broadridge welcomes the dialogue on proxy process and shareholder communication issues in Canada, the U.S., and globally. We participate actively in these very important discussions, providing the benefits of our experience and expertise and critical access to quantitative data. In addition, we value and invest heavily in continuous improvement, particularly in technological solutions that support the principles of efficiency, equity and engagement in the proxy process.

Broadridge believes that voting is only one component of the proxy process as a whole. The process in fact begins with the identification of record date owners and the delivery of materials to investors, continues when shareholders exercise their votes, and concludes with an investors' attendance at an issuer's annual shareholder meeting, in person or by proxy.

Although we believe that the current system works well from a technology standpoint, we support the periodic evaluation of the system with a view towards appropriate enhancements. Any efforts to revise the system should keep the following key principles in mind:

Vote Accuracy Through Audit:

Accuracy is critical to the proxy system. The aspects of the system administered by Broadridge have been designed to achieve the goals of vote accuracy, process integrity and transparency, and consistently have been found to be reliable by a variety of constituencies and independent parties.

Process Efficiency:

The proxy system was not designed in isolation. It supports the needs of the most efficient and liquid markets in the world and ever-evolving and expanding regulatory requirements. The effective deployment of technology does and can continue to create significant efficiencies for all of the constituencies involved in the proxy distribution and voting processes, including reporting issuers, shareholders, brokers and banks.

Voting Participation:

A core principle of the Canadian proxy system involves the provision of communications in ways that reflect beneficial shareholders' preferences and choices. Issuers are afforded a variety of methods through which to communicate and shareholders are provided a variety of methods to vote without sacrificing privacy preferences. While institutional investors make full use of the system., voting participation among retail shareholders remains a concern. Technologies are providing opportunities to efficiently increase participation.

Accuracy and Transparency:

Accuracy and transparency of the proxy process should be central considerations in any discussion regarding shareholder communications and proxy voting. This is particularly important in light of the complex requirements and, at times, different interests of the various participants in the proxy process, including shareholders, corporate issuers, brokers, banks, transfer agents, and regulators.

Part 1 – Voting Process Overview

Broadridge’s role with respect to proxy voting is as follows:

- Vote processing consists of multiple channels for shareholders to vote their shares (i.e., paper, telephone, Internet, ProxyEdge®).
- Broadridge is responsible for collecting the voting instructions of beneficial owners and aggregating at the intermediary level (institutional and retail).
- ProxyEdge is an important technology used by institutional investors, financial advisors and others for consistent delivery and presentation of proxy information, voting and filing compliance reports (i.e., NI 81-106).
- In 2011, 76% of all voted accounts were voted through ProxyEdge.
- Broadridge tracks the underlying votes for all beneficial owners to whom the issuer has sent materials via the intermediaries.
- Broadridge provides vote reporting to tabulators separately for each intermediary.
- The meeting tabulator is responsible for reconciling the beneficial and registered positions. In Canada, the tabulator is usually the issuer’s transfer agent.
- Broadridge does not adjust or prorate votes received from intermediaries.

As a practical matter, tabulators’ reported vote outcomes for meetings do not exceed the vote-able shares of securities or an issuer’s total shares outstanding. “Over reporting” can occur before a meeting and, when there are discrepancies in vote-able positions, tabulators typically do not accept vote instructions until they are reconciled. Broadridge provides its custodian bank and broker clients with an “Over Reporting Prevention Service” to assist them in eliminating instances of over reporting.

Part 2 – Benefits and Advantages of the Current System**Investment in the proxy voting system**

Proxy delivery and voting systems are the result of significant private sector investment and ongoing expense. They consist of highly sophisticated technologies and networking infrastructure and the advanced development capabilities necessary to continually address the evolving needs of the proxy system and all of its participants.

- Every issuer, large and small, is afforded an advanced technology infrastructure for a process that, for all intents and purposes, cannot be permitted to fail.



- Every participant – including custodian banks, broker-dealers, institutional investors, and individual investors, as well as large and small corporate issuers – is afforded robust information security and management.
- All of the shareholders' interests should be taken into account – including their rights to keep information about their assets and voting intentions confidential. The drive for efficiency or lower costs to issuers should not be borne by losses in shareholder entitlements.
- Corporate issuers receive the benefit of the efficiencies and conveniences of technology innovations and processes that exceed the requirements of applicable proxy rules.
- Corporate issuers benefit significantly from Broadridge's data processing capabilities including managed accounts, e-delivery, and ProxyEdge. Considering the cost to mail a full set of proxy materials, we estimate issuers saved over \$129.7 million since 2004.
- Broadridge is also making innovative use of new technologies to support shareholder engagement and voter participation.

The proxy system as a whole benefits from investments in technology and service operations necessary to effectively support evolving proxy regulations, and to create levels of scale and integration that save issuers and other participants' significant ongoing expense.

Part 3 – Opportunities for improvement

Productive discussion on the proxy process should be focused on solutions that protect the interests of investors and support the principles of efficiency, equity and engagement. We must look for the best solution for the investing public generally, while taking into account other more recent aspects of public policy – such as investors' privacy rights – and allowing for maximum use of technology consistent with these objectives.

Vote Tabulation

In its request for comments on proposed changes to NI 54-101, the Canadian Securities Administrators (CSA) invited comment on whether the system was “functioning with appropriate reliability, integrity and transparency” including “the integrity of the proxy voting system”. We noted in our comment letter of August 31, 2010 that the CSA has not set out any general principles that govern how votes are to be tabulated or how reconciliation of positions are handled, which may contribute to errors being made by significant participants in the proxy process, especially those tasked with tabulation.

To ensure vote integrity and that equitable principles are applied to vote tabulation, entities who perform vote tabulation could be required to make their tabulation processes and related procedures transparent and publicly available.

Audit

All companies in the shareholder communications business could be required to complete an annual independent audit on performance of their processes. Broadridge is the only service provider to proactively engage independent external auditors to review and assess our processes and performance.

Vote Reconciliation

A review of CDS and DTCC participant position report distribution processes may help to ensure that the meeting tabulators are receiving and reconciling all positions for an issuer.

Vote Confirmation

Service providers have built vote confirmation services to support North American and global proxy systems. An efficiently designed end-to-end vote confirmation process could enhance the existing process in Canada.

Notice-and-Access

Broadridge supports the concept of building a transparent voting system that would allow securityholders the opportunity to participate through all stages of the vote process. Where notice-and-access may provide the cost savings sought by issuers, that should not be the primary focus for shareholder communication. As the opportunity presents itself to adopt a more transparent voting system, cost savings realized through notice-and-access should be utilized to ensure securityholders, regardless of OBO or NOBO status, are able to participate in the voting process.

Education

Assertions that very few people understand how the proxy voting system works from end to end may be a disconcerting truth. It is clear that more work should be done to enhance everyone's overall level of knowledge of the process as it works in practice and the role each participant plays. Education on the details of the proxy process will foster greater understanding, which should in turn create greater confidence in the efficacy and reliability of the process.

Broadridge has long considered it important to contribute to participants' knowledge about the shareholder communication process and issues. Our “Charting the Course” web site (www.chartingthecourse.ca) provides participants with regulatory and service information. In addition, Broadridge regularly engages with regulators and other market participants to provide relevant, quantitative data and practical insights regarding the implementation of rules.

Quantitative Analysis

Summit participants are invited to download a copy of the 2011 Canadian Proxy Season statistics, available at www.chartingthecourse.ca/statistics.